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23 November 1953

MEMORANDUM FOR: Mr. A. N. Overby
Assistant Secretary of the Treasury

SUBJECT : Significance of Russian Gold Sales

REFERENCE : Your Memorandum, subject as above, dated
16 November 1953

1. Thank you very much for forwarding the interesting memorandum from Mr. Baruch's office concerning the significance of recent reports of Russian purchases of consumer goods against sales of gold.

2. Soviet gold exports, and particularly the commodities procured in exchange, are being carefully watched by CIA. We are giving the closest attention to any signs that the USSR plans to provide the promised quantities of consumer goods without basically reducing the production of military end use items. The new Soviet consumer goods program is still in its early stages; as yet, most of the effort appears to be moving into planning, although some industries -- notably the aviation, machine building, and chemical industries, have been directed to increase production of consumer goods. Until substantial increases in production of such items can be made throughout Soviet industry, it will be necessary, after all the publicity given to the promised plenty, for the Soviet Union to import substantial quantities of consumer goods. Evidence that an effort is being made to increase acquisition of foreign exchange is to be found not merely in Soviet gold sales, but also in recent sales of silver, manganese, chrome and other Soviet exports which are readily expendable.

3. Conservative estimates of Soviet gold stocks place the total at somewhere around \$3,000,000,000; similar estimates place Soviet gold exports during 1950-1953 at about \$100,000,000 per year. It is not believed that any substantial gold shipments have been overlooked in making these estimates. To the end of October 1953, Soviet gold sales are believed to have amounted to at least \$30,000,000 and perhaps as much as \$70,000,000 -- although the latter figure is felt to be too high. Between the end of October and 20 November, stepped-up gold sales in Paris amounted to \$30,000,000; unconfirmed rumors report an additional sale of \$30,000,000 in London in the past two weeks. Total sales for 1953 so far do not substantially exceed the previous annual rate of \$100,000,000.

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4. These Soviet gold sales may have had some effect upon world gold prices, but other factors of supply and demand have been at least as important in the recent price decline: the greater economic stability of western countries; an improvement in western gold and dollar holdings; increased gold sales by private holders, institutions, and by the Union of South Africa; and increases in interest rates, making hoarding expensive. A gold price decline has been a continuing phenomenon since 1948, but recent Soviet gold sales may have precipitated the decline in the last few weeks.

5. The sale of gold by the USSR would not afford any significant expansion in the level of supply of consumer goods within the Soviet Union. The sale of the entire Soviet gold stock -- \$3,000,000,000 -- would amount to only 2.5% of the planned consumption of consumer goods during 1953: 463 billion rubles or \$115,000,000,000 at 4:1. Total gold sales to date this year would, however, account for about 1/3 of the planned expenditures abroad on consumer goods -- \$330,000,000.

6. Gold sales abroad, and the import of consumer goods, appears, at present, to be a temporary expedient to help close the gap between promise and performance until Soviet economy can be reoriented to consumer production. It is in implementing this reorientation that we should most carefully watch for signs that the Soviet Union is attempting to increase consumer production without reducing allocations to war investment.

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ROBERT AMORY, JR.
Deputy Director/Intelligence

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